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SUBJECT: GHANA TRANSPORTATION AND INFRASTRUCTURE HIGHLIGHTS,
DECEMBER 1, 2008

1. SUMMARY:

1A. Ghana's civil aviation sector is poised for expansion, based on the combination of increased passenger loads and the expected increased demand for air travel associated with growth in the oil and gas sector. An infrastructure expansion plan worth USD 122 million has been approved for three of Ghana's airports.

1B. At Ghana's main international port, local stevedoring companies blocked efforts to improve the port's efficiency, to be accomplished by shifting additional cargo handling volume to the contracted international consortia Meridian Port Services.

1C. The Millennium Challenge Corporation Compact is financing the 14-km George W. Bush Motorway in Accra. Ghana's parliament also approved loans to finance bridges and a municipal water system.

1A. Civil Aviation: Great Expectations

12. (U) The GOG reports over 1 million passengers serviced at Kotoka International Airport in calendar year 2007. The increase in traffic was cited in parliament as supporting plans for expansion and rehabilitation of airports in Kumasi, Takoradi, and Tamale. Ghana has a total of 12 airports, seven with paved runways. Accra's Kotoka, the largest, is Ghana's only international airport.

13. (U) Toward the goal of expanding airport facilities, a USD 122 million loan agreement was approved by parliament, from GK Airports Company Limited, Ghana. (NOTE: although ostensibly a Ghanaian company, the lender appears to be a joint-venture backed by a consortium of Korean firms including Daewoo, Doosan, Rotem, Kyungwon, and Bogomulsan. Canadian investment firm Delamore and Owl are also shareholders. Econoffs are informed that Daewoo will be the contractor for this work. END NOTE.) The reported terms of the loan: 7 percent annual interest, a two-year grace period, and a 10 year repayment period.

14. (U) The expansion project includes extending the Kumasi Airport runway from 2,320 meters to 3,000 meters, allowing it to accommodate bigger aircraft, and to serve as a backup landing facility in the event of an emergency at Kotoka. The loan would also finance a new terminal building at Kumasi, including new passenger bridges, VIP lounge, control tower, and emergency response equipment. The runways of the Sunyani and the Takoradi airports would also be

extended while new VIP lounges would be provided and the control towers and fire stations refurbished.

¶5. (U) Like many operations in Ghana, Takoradi airport is publicizing efforts to ready itself for expanded business associated with the anticipated 'oil boom' in the Takoradi region. Although unconfirmed by econoffs, the media reports that some oil companies have received permission to use areas of the airport, and have invested in some upgrades including compacting the ground and grooving the asphalt extending from landing areas. Takoradi is already hosting helicopter flights from Cote d'Ivoire and Nigeria, ostensibly servicing the oil sector.

¶B. On the Waterfront: Labor Trumps Port Efficiency

¶6. (U) The Ghana Ports and Harbor Authority (GHPA) unsuccessfully attempted to shift more cargo handling volume to Meridian Port Services (MPS) at the Tema Port, away from local stevedoring companies. Tema Port handles 70 percent of Ghana's maritime freight. MPS is a consortia, including 30 percent ownership by Ghana's Ports and Harbour Authority, and 70 percent owned by an international joint venture between AP Moller Finance (Danish, 46.75 percent), Bollore (French, 46.75 percent) and Sutton Investments (6.5 percent). In 2002 MPS was awarded a 20 year concession for the management, stevedoring and handling of all containers at Tema.

¶7. (SBU) In an effort to boost port efficiency and to phase in the full service contract agreement with MPS, the GPHA sought to restrict the operations of stevedoring companies to serving only

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vessels with less than 50 containers, from a lesser number of berths. Six stevedoring companies of the Ghana Association of Stevedoring Companies (GASCO) sued the GPHA and MPS to restrain the GPHA from implementing the MPS element of the service contract. The stevedores argued this decision would hurt their business, since the majority of ships berthing at Tema carry more than 50 containers. Ghana's nine licensed stevedoring companies, (relicensed annually by GPHA) have been in operation since 2001. GASCO claims the GPHA did not take their existence into consideration before signing the MPS agreement in 2002, which they complained was not awarded in a transparent manner.

¶8. (SBU) In the context of quayside tensions and legal gyrations in court, the Minister of Harbors and Railways stepped in on the side of the domestic stevedoring companies, with an order to indefinitely suspend GPHA's decision. According to the Special Assistant to the Minister, the suspension was merited due to insufficient communication of the proposed change by GPHA to the stevedoring companies. Meanwhile, GASCO promised to continue to pursue the case in court, despite the Ministry's request that they withdraw the case. COMMENT: The Ministry's handling of the case suggests a pre-election sensitivity to harming local industry and workers in favor of an international corporation. END COMMENT.

¶C. Infrastructure Projects: Fits and Starts

¶9. (U) Roads: Work on the 14.1 km "George Walker Bush Motorway" connecting Accra's Tetteh-Quarshie with Mallam Junction was inaugurated on October 29 by Ghanaian President John Kufuor and Millennium Challenge Corporation CEO John Danilovich. A construction contract for the first six kilometers (Lot 1) was awarded at a cost of USD 42.4 million. This contract was awarded to the China Railway (Wuju) Corporation and is scheduled for completion in 30 months. The Lot 2 construction contract will be awarded in early 2009.

¶10. (U) Bridges: The Parliament approved a USD 42 million loan from the New York branch of Societe General for the design, supply and installation of permanent steel modular bridges across Ghana. This projects aims to correct transportation problems at river crossings caused by seasonal flooding and associated damage to roads and

bridges.

¶11. (U) Water Supply: A USD 92.4 million loan was approved by parliament with the Guangdong Development Bank of China and BNP Paribas for rehabilitation and expansion of the Sunyani municipal water system. The facility includes USD 30 million from the Guangdong Development Bank, and USD 62.4 million from BNP Paribas; after a 2 year grace period, the repayment term is 8 years. The project will benefit an estimated 350,000 people through increased access to water.

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